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IN THE SUPREME COURT OF THE STATE OF IDAHO

2009 Opinion No. 132

SAINT ALPHONSUS DIVERSIFIED CARE, )  
INC., an Idaho nonprofit corporation, )

Plaintiff-Appellant-Cross Respondents, )

v. )

MRI ASSOCIATES, LLP, an Idaho limited )  
liability partnership, )

Defendant-Respondent-Cross Appellant. )

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MRI ASSOCIATES, LLP, an Idaho limited )  
liability partnership, on its own behalf, and on )  
behalf of MRI LIMITED, an Idaho limited )  
partnership, and MRI MOBILE LIMITED, )  
an Idaho limited partnership, )

Counterclaimant-Respondent-Cross )  
Appellant, )

v. )

SAINT ALPHONSUS DIVERSIFIED CARE, )  
INC., an Idaho nonprofit corporation; SAINT )  
ALPHONSUS REGIONAL MEDICAL )  
CENTER, )

Counterdefendants-Appellants-Cross )  
Respondents. )

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Docket No. 34885-2007

Appeal from the District Court of the Fourth Judicial District of the State of Idaho in and for Ada County. Honorable Michael R. McLaughlin, District Judge.

Jones Day, Washington D.C.; Gjording & Fouser, LLC, Boise; and Givens Pursley LLP., Boise, for Appellants.

Banducci Woodward Schwartzman PLLC., Boise, for Respondents.

The judgment of the district court is vacated and this case is remanded.

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The Idaho Supreme Court, in a unanimous decision, vacated a trial jury verdict of \$36.3 million in favor of MRI Associates, LLP. Saint Alphonsus (SARMC) appealed claiming that the district court erred in numerous ways including: 1) its finding, as a matter of law, that SARMC's dissociation from MRI Associates (MRIA) was wrongful; 2) that two documents were admissible as evidence; and 3) that the judgment could be sustained on the theory of lost profits. MRIA cross-appeals the district court's denial of punitive damages instructions to the jury and summary judgment in favor of Saint Alphonsus on MRIA's antitrust claims.

On April 26, 1985, the partnership of MRIA Associates was originally formed by Doctors of Magnetic Resonance, Inc., Saint Alphonsus Diversified Care, Inc., Mednow, Inc., and HCA of Idaho, Inc. The parties executed a written partnership agreement that was effective on April 26, 1985. The purpose of the partnership was to acquire and operate diagnostic and therapeutic devices, equipment, and accessories, beginning with a magnetic resonance imaging (MRI) scanner; to acquire related buildings and other facilities; and to transact all business matters incident to such activities. MRIA and others formed two limited partnerships: MRI Limited Partnership (MRI Center), which owned and operated an MRI scanner located on the hospital campus of St. Alphonsus Regional Medical Center (St. Alphonsus) under the name of MRI Center of Idaho, and MRI Mobile Limited Partnership (MRI Mobile), which owned and operated mobile MRI scanners. MRIA owned thirty percent of, and was the general partner of, each limited partnership.

For years following the creation of MRIA, physicians at St. Alphonsus used MRI Center to produce MRI scans and radiologists from the Saint Alphonsus Radiology Group, also known as Gem State Radiology (GSR), to read the scans. The radiologists organized as GSR were under an exclusive contract to serve the professional radiological needs of St. Alphonsus's patients.

In 1998, the radiologists at GSR began planning to construct and operate an outpatient medical imaging facility that would provide a full range of medical imaging services, including both MRI imaging and other imaging services that were not provided by MRI Center. After GSR had acquired land in downtown Boise, it disclosed its plans to St. Alphonsus and encouraged it to become involved in the project. Thereafter, there

were unsuccessful negotiations among the GSR radiologists, St. Alphonsus, and MRIA to have one medical imaging entity.

The radiologists formed the partnership Intermountain Medical Imaging, LLC (Intermountain Imaging), which began operating on September 1, 1999. On July 1, 2001, Saint Alphonsus became a partner in the non-MRI part of the business of IMI.

On February 24, 2004, Saint Alphonsus Diversified Care, Inc. gave notice to MRIA that it would dissociate from the partnership effective on April 1, 2004, and on October 18, 2004, it filed this lawsuit seeking a judicial determination of the amount it was entitled to receive for its interest in MRIA. MRIA responded by filing a multi-count counterclaim against Saint Alphonsus Diversified Care, Inc., and against St. Alphonsus<sup>1</sup> (both herein called St. Alphonsus) and by filing third-party claims. The claims against the third-party defendants were ultimately dismissed.

Ultimately, the case went to a jury trial on the remaining causes of action in MRIA's counterclaim alleging causes of action for wrongful dissociation, breach of a noncompete clause, breach of the covenant of good faith and fair dealing, intentional interference with prospective contractual relations or business expectations, breach of fiduciary duties, and civil conspiracy. The jury found St. Alphonsus liable on all causes of action, and awarded damages of \$63.5 million. The district court reduced the verdict to \$36.3 million after determining that the jury had totaled damage awards on two alternative theories. The court also denied St. Alphonsus's motions for a judgment notwithstanding the verdict or a new trial. St. Alphonsus then timely appealed.

The Supreme Court held that the district court erred in holding that St. Alphonsus wrongfully dissociated from MRI Associates and further erred by admitting a settlement offer made by MRIA into evidence. The Court held that MRIA could not recover a damage award on behalf of non-parties or for lost profits beyond the term of the partnership. The Court declined to reinstate the jury's alternative award of damages based on the value of MRI Center. The Court held that the district court did not abuse its discretion in denying a claim for punitive damages or dismissing the antitrust claims.

The Court declined to consider whether Saint Alphonsus' dissociation wrongfully occurred prior to the expiration of a definite term of the partnership because St. Alphonsus failed to timely object to the submission of the issue to the jury. The Court further held that St. Alphonsus waived any objection to admittance of a memorandum that included a reference to legal advice received by St. Alphonsus. No attorney fees were awarded on appeal.

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<sup>1</sup> Saint Alphonsus Diversified Care, Inc., is a wholly-owned subsidiary of St. Alphonsus.